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ADDENDUM 1 - REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS

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1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations High Commissioner for Refugees, entitled "UNHCR Annual Programme Budget 2001" (A/AC.96/932). The Committee had also before it an advance copy of the High Commissioner's report on measures taken or proposed in response to the recommendations in the report of the Board of Auditors to the General Assembly on the accounts of voluntary funds administered by UNHCR for the year ended 31 December 1999 (A/AC.96/933/Add.1). During its consideration of these matters, the Committee met with representatives of the High Commissioner who provided additional information.

2. The Advisory Committee welcomes the new abbreviated structure of the document on in UNHCR's annual programme budget for 2001, which takes into account various recommendations of the Committee, as indicated in annex 1 to the report on the follow-up actions taken with regard to the Committee's previous observations. In the paragraphs below the Committee makes some additional observations and recommendations for further improvement of the budget report. From the information contained in the budget report as well as from the information given by representatives of the High Commissioner, the Committee believes that the experience with the unified budget is encouraging. The Advisory Committee requests that the information on the review of the effectiveness of the changes in the unified budget, requested by the Standing Committee in document A/AC.96/929, annex 1, be also submitted to the ACABQ.

3. The Advisory Committee notes that particular attention was paid to reducing the length of Part II of the report on the subject of programmes. The Committee, however, believes that further streamlining and improvements should be introduced in Part II of the report, as UNHCR gains further experience with the unified budget. The Committee notes from paragraph 38 of the budget report that major country programmes were selected on the basis of budget size, limiting the choice of major programmes to those with a budget of $15 million or over in the year 2001; however, as an exception, to ensure that all geographical regions were included, three country programmes below $15 million were also included in Part II of the report. From the exchange of views with representatives of UNHCR on the content of Part II, the Committee doubts the utility of this section of the report, in its present form, for decision-making purposes. The Committee notes from paragraph 40 of the budget report that UNHCR is posting on its Internet Website fuller information on all its programmes and that further information is available in UNHCR's Global Report 1999.

4. In this connection, and bearing in mind the Standing Committee's decision on the Annual Programme Budget 2000 (A/AC.96/929, annex 1), the Advisory Committee recommends that the UNHCR programme be presented in Part II of the report in a format that follows major programme themes, discussing cross-cutting programme issues, such as programme size, formulation, priorities, funding, implementation, monitoring, indicators, evaluation, impact and results. The Committee is of the view that, in following this presentation, the three major categories of the UNHCR core mandate, namely protection, assistance and durable solution should be addressed. The present table II.1 of Part II of the report (i.e., Use of resources: estimated distribution of programmes and programme support by country within region) should remain as is or be shortened depending on the information to be presented on cross-cutting issues.

5. The Advisory Committee notes that throughout the budget report there are inconsistencies in the presentation of geographical groupings in the tables (e.g., the geographical groups shown in annex 2 on refugee statistics are different than the groups shown in tables I. 3, II.1 and III.1). The Committee was informed that, in future budget presentations, refugee statistics will be presented to parallel the areas of responsibility of the various Bureaux; in addition, budget estimates for Africa will be presented according to the three regional directorates established for Africa.

6. The Advisory Committee notes from paragraphs 41-43 of document A/AC.96/932 that the development and review of country programmes has followed an annual programme cycle. For the purpose of programme planning, Country Operations Plans (COPs) are prepared to provide a description of programme goals, objectives and priorities in each country operation or area. The Committee was informed that, for the annual programme budget for 2001, 126 COPs were prepared, some up to 200 pages in length. From the information mentioned in the report and from the additional information provided by representatives of UNHCR, the Committee concludes that, in the light of the shortage of staff, there is a need to refine the process, making it less involved, especially at headquarters, with a view to reducing time and expense. Upon enquiry, the Committee was informed that the possibility of implementing a biennial programme planning cycle will be further explored in the course of the year with members of the Executive Committee in connection with their ongoing review of the budget structure. The Committee notes that such a move would also facilitate the adoption of a biennial audit cycle (see A/53/513, para. 87).

7. In the view of the Advisory Committee, the introduction of a unified budget process offers both the donor community and UNHCR the opportunity to discuss and assess needs and resource requirements in the coming budget year. The approval of the unified programme budget and its related operational reserve should enable the Office to start implementation of UNHCR programme activities without further extensive negotiations on resource allocation and priority setting. To this end, the timing of the approval of the unified budget and the pledging conference is critical.

8. The overall population of concern to UNHCR has marginally increased in 1999 as compared to 1998. As indicated in paragraph 16 of the budget report, at the end of 1999, there were some 22.3 million persons of concern to UNHCR, comprising 11.7 million refugees, 2.5 million returned refugees or "returnees", 1.2 million asylum-seekers and 6.9 million of certain specific groups, including internally displaced persons. The corresponding number for 1998 was 21.5 million. Indicative populations of concern to UNHCR in 1999 are shown by region and country in annex 2 to document A/AC.96/932.

Resources and expenditures

9. For the revised Annual Programme Budget 2000, table I.6 of the budget report shows that, as at 1 July 2000, the revised income projections under all sources of funds amount to $865.7 million, including carry-over from 1999 into 2000 of $86.2 million. As shown in table I.3, the revised expenditure projection for 2000 amounts to $987.8 million (including $20.2 million under the United Nations regular budget), reflecting an income shortfall of $122.1 million. The Advisory Committee was provided with updated projections of total

income and total expenditure for the year 2000. Total projected income amounts to $827.8 million and total projected expenditure to $996.2 million, reflecting an income shortfall of $168.4 million, as at 1 September 2000. In this connection, the Committee understands that in recent years there has been a declining trend in contributions from a multilateral source to the UNHCR programme.

10. The Advisory Committee notes from the additional information provided on expenditure projections for 2000 that the supplementary budgets in the revised budget for 2000 would increase from $90.6 million, as shown in table I.3 as at 1 July 2000, to $99 million in the updated information, as at 1 September 2000. In this connection, the Advisory Committee recalls its comments in its report of 28 September 1998 (A/AC.96/900/Add.3, para. 38-40). In that report, the Committee had recommended that the Executive Committee keep the matter of tied funding under review, so that the range of additional activities funded from supplementary resources should continue to be consistent with the statute of UNHCR and should not include those that could be implemented by other agencies of the United Nations system. The Committee notes from paragraph 29 of the budget report that at the eighteenth session of the Standing Committee (5-7 July 2000), a decision was adopted on guiding principles applicable to the resourcing of UNHCR's unified budget. The Committee was informed that UNHCR and the donor community are currently engaged in assessing the type of assistance to be funded from supplementary funds according to the guidelines.

11. For the year 2001, as indicated in paragraph 33 of the report, resources for the Annual Programme Budget 2001 are expected to be comparable to those for the year 2000. As indicated in table I.3 of the budget report, the proposed total budget for 2001 amounts to $898.5 million.

12. The Advisory Committee was informed that UNHCR currently expects that about 2.5 per cent of its total income will come from the private sector in 2000 and may continue to increase to some 7 to 10 per cent of total income within a few years. UNHCR's private sector fund raising strategy is targeting three distinct groups, namely the public at large, private foundations and the corporate sector. The Committee was informed that UNHCR is in the process of defining the criteria for the participation of the private sector in its operations. Detailed information on support from the private sector is contained in UNHCR's Global Report 1999.

13. The Advisory Committee was informed that by the end of 1999, total earmarked funds accounted for some 80 percent of total contributions, the largest percentage in UNHCR's history, while as at 8 September 2000 UNHCR had received $513.4 million in contributions, of which 69 per cent was earmarked, reflecting an increase in the proportion of unearmarked contributions. The Committee understands that with the agreement of some donors, the concept of earmarking has been broadened to include elements of flexibility in the transfer of funds. The Committee was informed that, as at 8 September 2000, from the amount of $513.4 million of contributions received, 22 percent was earmarked for a region (i.e., Africa), 12 per cent for a sub-region (i.e., Horn of Africa), 21 per cent for specific countries, and 14 per cent for sectoral activities (i.e., refugee health). The Committee welcomes the willingness of the donor community and UNHCR to engage in a dialogue on the most pragmatic procedure to deal with questions of earmarking.

14. As indicated in paragraph 24 and table I.4 of the report, as of 1 July 2000, $42.2 million of the operational reserve was allocated from the level of $82.1 million approved by the Executive Committee for 2000, leaving a balance of $39.9 million in the revised budget for 2000. As shown in table I.3 of the report, for the proposed budget for 2001, the operational reserve is set at $79.3 million. The Advisory Committee notes from the allocations from the operational reserve in 2000 (table I.4) that large amounts were drawn down to fund activities that should have been included in the budget estimates for review and approval by the Executive Committee (e.g., $2.7 million for requirements of the communications network, $3.7 million for expenses for private sector fund raising and about $2.1 million for the establishment of a post of gender equity coordinator and other administrative expenditures at headquarters). The Committee was informed that during the first year of the unified budget a number of activities, especially those funded from trust funds were not incorporated in the annual programme budget. Representatives of the High Commissioner informed the Committee that in the next budget presentation these items would be budgeted for. The Committee considers that the operational reserve should be used strictly in accordance with its purpose, as set out in the UNHCR's financial rules.

The Support budget

15. UNHCR's Support Budget, covering Programme Support (both field and headquarters) and Management and Administration (headquarters) estimates is discussed in Part III of the report.

16. As shown in table I.1 of the budget report, the revised Support Budget for 2000, not including the United Nations regular budget of $20.2 million, amounts to $232.8 million, comprising $158.4 million for the field and $74.4 million for headquarters ($37.0 million for Programme Support and $37.4 million for Management and Administration). For 2001, the proposed Support Budget, not including the United Nations regular budget of $19.1 million, amounts to $228.0 million, comprising $154.2 million for the field and $73.8 million for headquarters ($35.8 for programme support and $38.0 million for Management and Administration). Table III.1 of the budget report provides a breakdown of the support budget estimates for 2000 and 2001, by organizational unit, including the United Nations regular budget. Of the Management and Administration posts at headquarters, 220 posts are currently funded from the United Nations regular budget (A/AC.96/932, para. 8). Table III.2 shows the Support Budget by object of expenditure for 2000 and 2001, including the United Nations regular budget.

17. Table I.7 shows overall post requirements for 2000 and 2001, including posts funded from the United Nations regular budget. As at 1 January 2000 posts requirements for 2000 are 4,760 posts (691 for headquarters and 4,069 for the field). For 2001, projected requirements are 4,827 posts (699 at headquarters and 4,128 in the field), as at 1 January 2001, reflecting an increase of 67 posts. The Committee recommends approval of the proposed additional posts. The Committee understands that UNHCR also has a number of United Nations Volunteers in its field operations. The Committee encourages UNHCR to continue the use of United Nations Volunteers in its programmes and to disclose in the next budget submission their total number.

Information technology

18. Information technology (IT) is discussed in paragraphs 221-241 of the report. As shown in table III.8 of the report, estimated information technology requirements amount to $29.6 million in the revised budget for 2000 and to $28.6 million for 2001. The Advisory Committee notes that an attempt has been made to comply with its requests that, in the context of the next budget presentation, concise information be provided on the progress of the implementation of IT projects (A/AC.96/916/Add.2, para. 29). The Committee reiterates its request that UNHCR should present to the Committee, as additional information, comprehensive data on implementation of all IT projects, including relevant costs.